



ANNUAL REPORT 2018

YEAR ENDED MARCH 31, 2018

ICOM INCORPORATED

Financial Highlights

ICOM INCORPORATED AND SUBSIDIARIES

Years ended March 31, 2018, 2017 and 2016

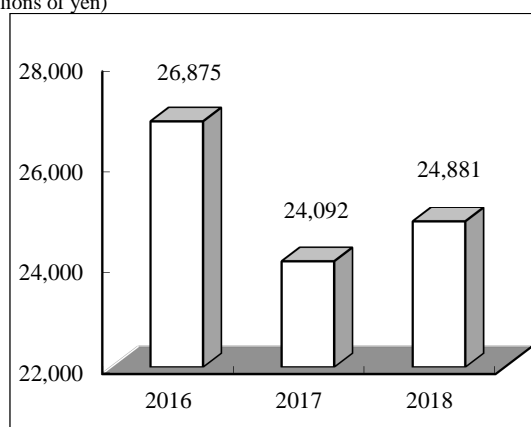
	Millions of yen			Thousands of U.S. dollars
	2018	2017	2016	2018
Net sales	¥ 24,881	¥ 24,092	¥ 26,875	\$ 234,218
Operating income	791	732	2,368	7,446
Income before income taxes	877	724	2,349	8,256
Net income	626	474	1,660	5,893
Net income attributable to owners of parent	626	474	1,660	5,893
Total assets	¥ 59,222	¥ 58,324	¥ 59,201	\$ 557,488
Amounts per share:	Yen			U.S. dollars
Net assets	¥ 3,654.65	¥ 3,625.42	¥ 3,613.66	\$ 34.40
Net income – basic	42.26	31.98	112.03	0.40
Net income – diluted	–	–	–	–
Cash dividends	30.00	20.00	36.00	0.28

Notes:

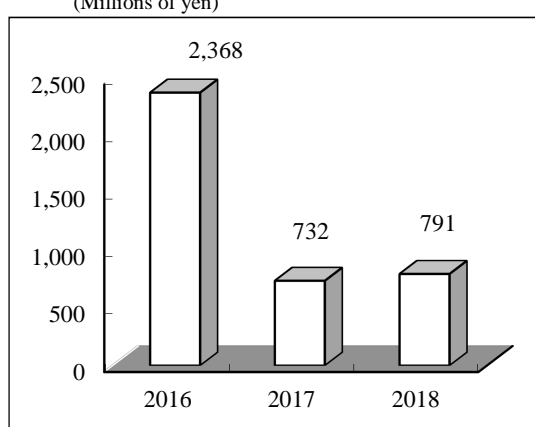
1. All dollar amounts herein refer to U.S. dollars translated from Japanese yen at ¥106.23 = U.S.\$1.00, the exchange rate prevailing on March 31, 2018.

2. Amounts shown in millions of yen and thousands of dollars are rounded off to the nearest million or thousand.

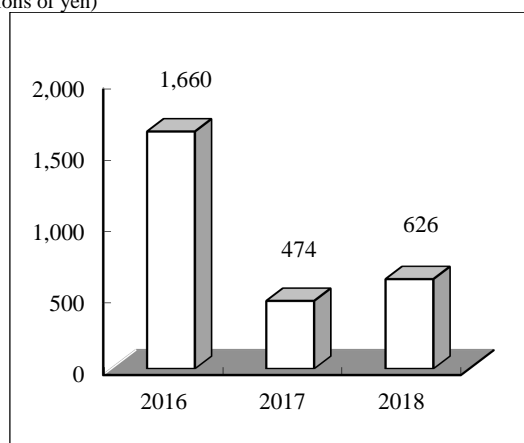
Net Sales
(Millions of yen)



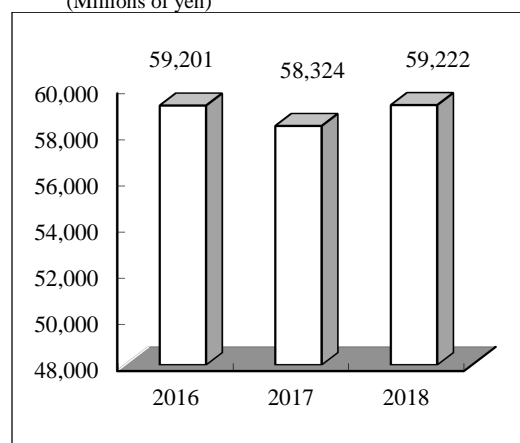
Operating Income
(Millions of yen)



Profit attributable to owners of parent
(Millions of yen)



Total Assets
(Millions of yen)



Operating Highlights

GEOGRAPHICAL SEGMENT INFORMATION

Years ended March 31, 2018 and 2017

	Millions of yen				Thousands of U.S. dollars	
	Net sales		Operating income (loss)		Net sales	Operating income (loss)
	2018	2017	2018	2017	2018	2018
Japan	¥ 21,758	¥ 20,776	¥ 895	¥ 500	\$ 204,820	\$ 8,425
North America	7,872	7,325	(27)	(37)	74,103	(255)
Europe	1,235	1,070	71	36	11,626	669
Asia & Oceania	1,445	1,272	61	31	13,602	574
Eliminations	(7,429)	(6,351)	(209)	202	(69,933)	(1,967)
Consolidated total	¥ 24,881	¥ 24,092	¥ 791	¥ 732	\$ 234,218	\$ 7,446

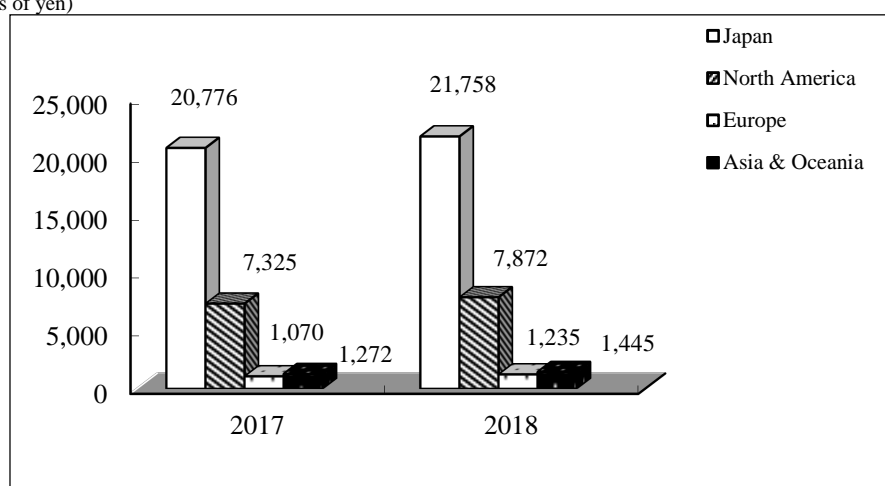
Notes:

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2. Amounts shown in millions of yen and thousands of dollars are rounded off to the nearest million or thousand.

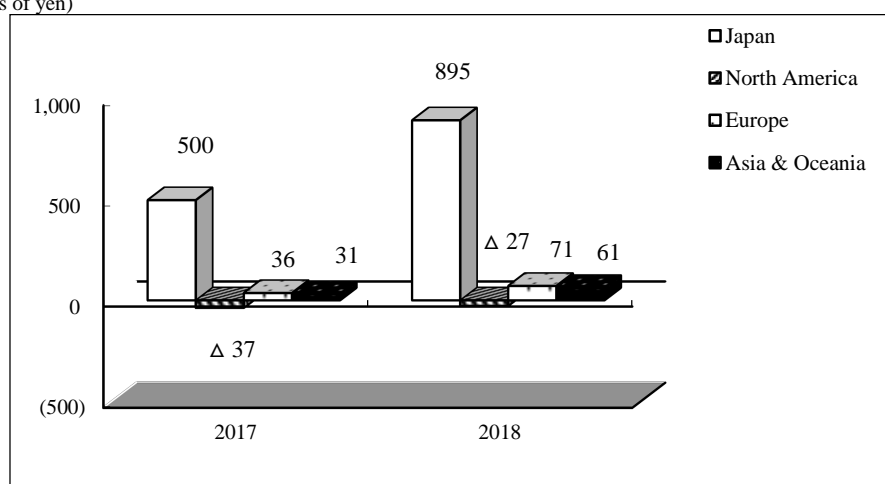
Net Sales

(Millions of yen)



Operating Income (Loss)

(Millions of yen)



Operating Highlights

OVERSEAS SALES

Years ended March 31, 2018 and 2017

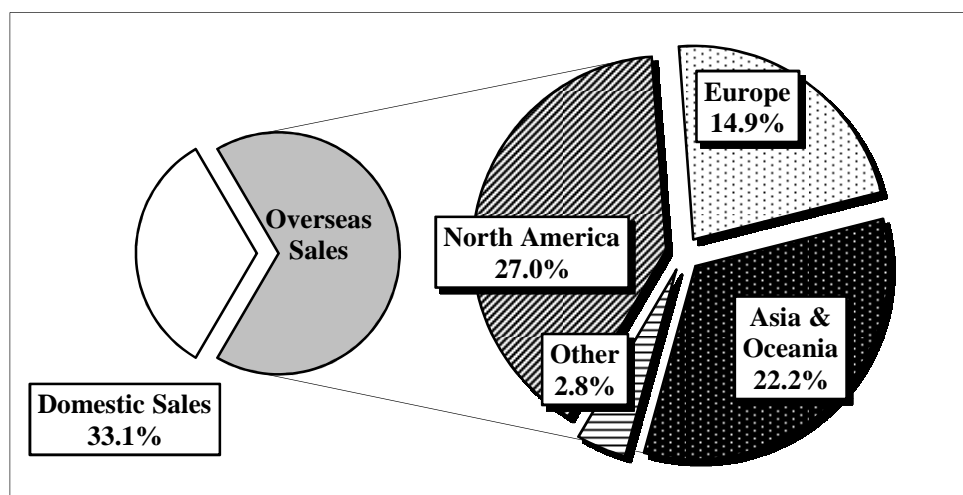
	Millions of yen				Thousands of U.S. dollars	
	2018 (Unaudited)		2017		2018 (Unaudited)	
North America	¥ 7,154	28.8%	¥ 6,504	27.0%	\$ 67,344	
Europe	3,969	15.9	3,592	14.9	37,362	
Asia & Oceania	4,904	19.7	5,345	22.2	46,164	
Other	795	3.2	680	2.8	7,484	
Overseas total	16,822	67.6	16,121	66.9	158,354	
Domestic total	8,059	32.4	7,971	33.1	75,864	
Consolidated total	¥ 24,881	100.0%	¥ 24,092	100.0%	\$ 234,218	

Notes:

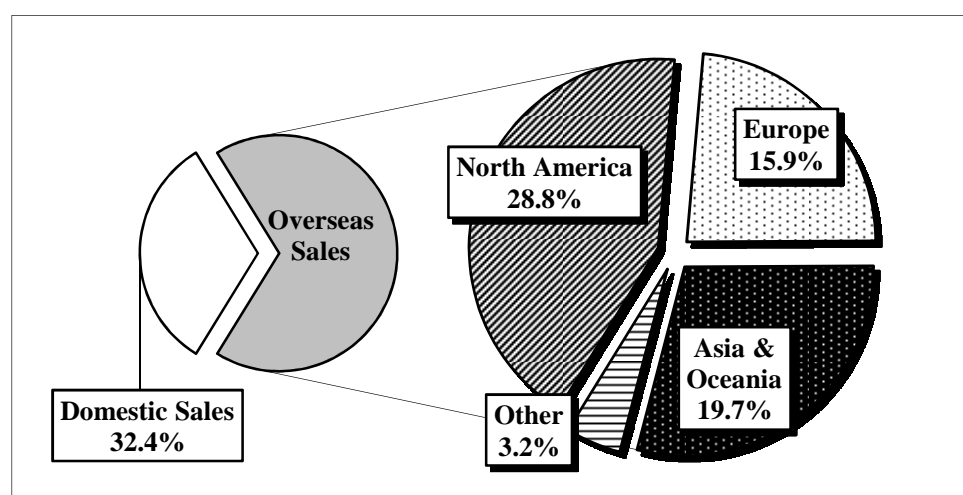
1. All dollar amounts herein refer to U.S. dollars translated from Japanese yen at ¥106.23 = U.S.\$1.00, the exchange rate prevailing on March 31, 2018.

2. Amounts shown in millions of yen and thousands of dollars are rounded off to the nearest million or thousand.

Net Sales 2017



Net Sales 2018



ICOM INCORPORATED AND SUBSIDIARIES

Consolidated Balance Sheet

March 31, 2018

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 1)</i>
Assets	2018	2017	2018
Current assets:			
Cash and deposits (<i>Notes 4, 6 and 12</i>)	¥ 30,442	¥ 31,091	\$ 286,567
Marketable securities (<i>Notes 4, 6 and 7</i>)	–	300	–
Notes and accounts receivable (<i>Notes 5 and 6</i>)	5,098	4,686	47,990
Allowance for doubtful accounts	(19)	(17)	(179)
	5,079	4,669	47,811
Inventories (<i>Note 8</i>)	6,965	6,422	65,565
Deferred income taxes (<i>Note 10</i>)	512	331	4,820
Other current assets	2,529	1,766	23,807
Total current assets	45,527	44,579	428,570
 Property, plant and equipment:			
Land	4,133	4,150	38,906
Buildings and structures	6,759	6,800	63,626
Machinery and equipment	12,491	12,693	117,584
Vehicles and other	203	202	1,911
Construction in progress	12	11	113
Property, plant and equipment, at cost	23,598	23,856	222,140
Less accumulated depreciation	(16,437)	(16,377)	(154,730)
Property, plant and equipment, net (<i>Note 16</i>)	7,161	7,479	67,410
 Investments and other assets:			
Investments in securities (<i>Notes 6 and 7</i>)			
Investments in affiliates	74	96	697
Other	3,299	2,788	31,055
Other investments	2,663	2,713	25,068
Deferred income taxes (<i>Note 10</i>)	428	578	4,029
Intangible assets (<i>Note 16</i>)	125	146	1,177
Allowance for doubtful accounts	(55)	(55)	(518)
Total investments and other assets	6,534	6,266	61,508
Total assets (<i>Note 16</i>)	¥ 59,222	¥ 58,324	\$ 557,488

See accompanying Notes to consolidated financial statements.

ICOM INCORPORATED AND SUBSIDIARIES

Consolidated Balance Sheet

March 31, 2018

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 1)</i>
	2018	2017	2018
Liabilities and net assets			
Current liabilities:			
Accounts payable - trade (Note 6)	¥ 1,409	¥ 1,154	\$ 13,264
Accounts payable - other	585	442	5,507
Accrued income taxes (Note 10)	376	26	3,539
Accrued expenses	572	558	5,385
Accrued bonuses	445	396	4,189
Warranty reserves	52	48	490
Other current liabilities	115	122	1,083
Total current liabilities	<u>3,554</u>	<u>2,746</u>	<u>33,457</u>
Long-term liabilities:			
Deferred income taxes (Note 10)	18	21	169
Liability for retirement benefits (Note 9)	936	1,268	8,811
Other long-term liabilities	562	568	5,289
Total long-term liabilities	<u>1,516</u>	<u>1,857</u>	<u>14,269</u>
Net assets:			
Shareholders' equity (Note 11):			
Common stock:			
Authorized – 34,000,000 shares;			
Issued – 14,850,000 shares in 2018 and 2017	7,081	7,081	66,657
Capital surplus	10,449	10,449	98,362
Retained earnings (Note 18)	36,516	36,187	343,745
Less treasury stock, at cost:			
32,543 shares in 2018 and 32,190 shares in 2017	(105)	(104)	(988)
Total shareholders' equity	<u>53,941</u>	<u>53,613</u>	<u>507,776</u>
Accumulated other comprehensive income (Note 14):			
Net unrealized holding gain on securities (Note 7)	104	22	979
Translation adjustments	145	338	1,365
Retirement benefit liability adjustments (Note 9)	(38)	(252)	(358)
Total accumulated other comprehensive income	<u>211</u>	<u>108</u>	<u>1,986</u>
Total net assets	<u>54,152</u>	<u>53,721</u>	<u>509,762</u>
Total liabilities and net assets	<u>¥ 59,222</u>	<u>¥ 58,324</u>	<u>\$ 557,488</u>

See accompanying Notes to consolidated financial statements.

ICOM INCORPORATED AND SUBSIDIARIES

Consolidated Statement of Income

Year ended March 31, 2018

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 1)</i>
	2018	2017	2018
Net sales (Note 16)	¥ 24,881	¥ 24,092	\$ 234,218
Cost of sales (Notes 8 and 16)	14,366	14,017	135,235
Gross profit	10,515	10,075	98,983
Selling, general and administrative expenses (Notes 13 and 16)	9,724	9,343	91,537
Operating income (Note 16)	791	732	7,446
Other income (expenses):			
Interest and dividend income	103	96	970
Gain on sales of investment in securities, net (Note 7)	21	56	198
Foreign exchange gain (loss), net	104	(57)	979
Gain on sales of property, plant and equipment	3	1	28
Sales discounts	(160)	(146)	(1,506)
Equity in losses of affiliates	(21)	—	(198)
Other, net	36	42	339
	86	(8)	810
Profit before income taxes	877	724	8,256
Income taxes (Note 10):			
Current	416	212	3,916
Deferred	(165)	38	(1,553)
	251	250	2,363
Profit	¥ 626	¥ 474	\$ 5,893
Profit attributable to owners of parent (Note 15)	¥ 626	¥ 474	\$ 5,893

See accompanying Notes to consolidated financial statements.

ICOM INCORPORATED AND SUBSIDIARIES
**Consolidated Statement of
Comprehensive Income**

Year ended March 31, 2018

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 1)</i>
	2018	2017	2018
Profit	¥ 626	¥ 474	\$ 5,893
Other comprehensive income (Note 14):			
Net unrealized holding gain on securities	82	2	772
Translation adjustments	(193)	(58)	(1,817)
Retirement benefit liability adjustments	214	171	2,014
Total other comprehensive income	103	115	969
Comprehensive income	¥ 729	¥ 589	\$ 6,862
 Total comprehensive income attributable to: Owners of parent	 ¥ 729	 ¥ 589	 \$ 6,862

See accompanying Notes to consolidated financial statements.

ICOM INCORPORATED AND SUBSIDIARIES

Consolidated Statement of Changes in Net Assets

Year ended March 31, 2018

Millions of yen

	Number of shares in issue	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Net unrealized holding gain on securities	Translation adjustments	Retirement benefit liability adjustments	Total net assets
Balance at April 1, 2016	14,850,000	¥ 7,081	¥ 10,449	¥ 36,128	¥ (104)	¥ 20	¥ 396	¥ (423)	¥ 53,547
Profit attributable to owners of parent for the year	—	—	—	474	—	—	—	—	474
Cash dividends	—	—	—	(415)	—	—	—	—	(415)
Purchases of treasury stock	—	—	—	—	(0)	—	—	—	(0)
Other changes	—	—	—	—	—	2	(58)	171	115
Balance at April 1, 2017	14,850,000	¥ 7,081	¥ 10,449	¥ 36,187	¥ (104)	¥ 22	¥ 338	¥ (252)	¥ 53,721
Profit attributable to owners of parent for the year	—	—	—	626	—	—	—	—	626
Cash dividends	—	—	—	(297)	—	—	—	—	(297)
Purchases of treasury stock	—	—	—	—	(1)	—	—	—	(1)
Other changes	—	—	—	—	—	82	(193)	214	103
Balance at March 31, 2018	14,850,000	¥ 7,081	¥ 10,449	¥ 36,516	¥ (105)	¥ 104	¥ 145	¥ (38)	¥ 54,152

Thousands of U.S. dollars (Note 1)

	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Net unrealized holding gain on securities	Translation adjustments	Retirement benefit liability adjustments	Total net assets
Balance at April 1, 2017	\$ 66,657	\$ 98,362	\$ 340,648	\$ (979)	\$ 207	\$ 3,182	\$ (2,372)	\$ 505,705
Profit attributable to owners of parent for the year	—	—	5,893	—	—	—	—	5,893
Cash dividends	—	—	(2,796)	—	—	—	—	(2,796)
Purchases of treasury stock	—	—	—	(9)	—	—	—	(9)
Other changes	—	—	—	—	772	(1,817)	2,014	969
Balance at March 31, 2018	\$ 66,657	\$ 98,362	\$ 343,745	\$ (988)	\$ 979	\$ 1,365	\$ (358)	\$ 509,762

See accompanying Notes to consolidated financial statements.

ICOM INCORPORATED AND SUBSIDIARIES

Consolidated Statement of Cash Flows

Year ended March 31, 2018

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 1)</i>
	2018	2017	2018
Operating activities:			
Profit before income taxes	¥ 877	¥ 724	\$ 8,256
Adjustments for:			
Depreciation and amortization	935	987	8,802
Interest and dividend income	(103)	(96)	(970)
Foreign exchange loss (gain), net	51	(59)	480
(Increase) decrease in notes and accounts receivable	(478)	432	(4,500)
Increase in inventories	(641)	(81)	(6,034)
Increase (decrease) in accounts payable - trade	335	(164)	3,154
Other, net	86	(2,173)	810
Subtotal	1,062	(430)	9,998
Income taxes paid	(4)	(436)	(38)
Net cash provided by (used in) operating activities	1,058	(866)	9,960
Investing activities:			
Increase in time deposits with original maturities in excess of three months	(79)	(1,276)	(744)
Redemption of marketable securities	301	399	2,834
Purchases of property, plant and equipment	(660)	(675)	(6,213)
Purchases of intangible assets	(57)	(58)	(537)
Purchases of investments in securities	(844)	(645)	(7,945)
Proceeds from sales and redemption of investments in securities	465	598	4,377
Interest and dividend income received	111	110	1,045
Other, net	(591)	(407)	(5,563)
Net cash used in investing activities	(1,354)	(1,954)	(12,746)
Financing activities:			
Purchases of treasury stock	(1)	(0)	(9)
Cash dividends paid	(297)	(415)	(2,796)
Net cash used in financing activities	(298)	(415)	(2,805)
Effect of exchange rate changes on cash and cash equivalents	(98)	51	(923)
Net decrease in cash and cash equivalents	(692)	(3,184)	(6,514)
Cash and cash equivalents at beginning of year	29,011	32,195	273,096
Cash and cash equivalents at end of year (Note 4)	¥ 28,319	¥ 29,011	\$ 266,582

See accompanying Notes to consolidated financial statements.

ICOM INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements

March 31, 2018

1. Basis of Preparation

The accompanying consolidated financial statements of ICOM INCORPORATED (the “Company”) and its subsidiaries are prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards, and have been compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Act of Japan.

In preparing the accompanying consolidated financial statements, certain reclassifications have been made to the consolidated financial statements issued domestically for the convenience of readers outside Japan.

In addition, the notes to the consolidated financial statements include certain information which is not required under accounting principles generally accepted in Japan but is presented herein as additional information.

The translation of yen amounts into U.S. dollar amounts is included solely for the convenience of readers outside Japan, as a matter of arithmetic computation only, and has been made at ¥106.23 = U.S.\$1.00, the approximate rate of exchange in effect on March 31, 2018. This translation should not be construed as a representation that yen have been, could have been, or could in the future be, converted into U.S. dollars at the above or any other rate.

2. Summary of Significant Accounting Policies

(a) Principles of consolidation

The accompanying consolidated financial statements include the accounts of the Company and the companies which it controls directly or indirectly. Two companies over which the Company exercises significant influence in terms of their operating and financial policies have been included in the accompanying consolidated financial statements on an equity basis.

All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized intercompany gains and losses among the Company and the subsidiaries have been entirely eliminated.

The financial statements of certain consolidated subsidiary whose fiscal year end is December 31 has been included in consolidation on the basis of a full fiscal year closing on March 31 for consolidation purposes.

(b) Cash and cash equivalents

For purposes of the consolidated statements of cash flows, cash and cash equivalents consist of cash on hand, deposits with banks withdrawable on demand, and short-term investments which are readily convertible to cash subject to an insignificant risk of any changes in their value and which were purchased with an original maturity of three months or less.

(c) Foreign currency translation

The balance sheet accounts of the overseas subsidiaries are translated into yen at the rates of exchange in effect at the balance sheet date except that the components of net assets are translated at their historical exchange rates. Adjustments resulting from translating accounts denominated in foreign currencies are not included in the determination of profit in the accompanying consolidated financial statements, but are reported as “Translation adjustments,” a component of net assets.

Revenue and expense accounts are translated at the average rates of exchange in effect during the year.

All monetary assets and liabilities denominated in foreign currencies are translated into yen at the rates of exchange in effect at the balance sheet date, except that receivables hedged by qualified forward foreign exchange contracts are translated at the corresponding contract rates. Gain or loss on each translation is credited or charged to income.

(d) Marketable securities and investments in securities

In general, securities are classified into three categories: trading securities, held-to-maturity debt securities or other securities. Trading securities, consisting of debt and marketable equity securities, are stated at fair value. Gain or loss, both realized and unrealized, are credited or charged to income. Held-to-maturity debt securities are stated at their amortized cost. Marketable securities classified as other securities are carried at fair value with any changes in unrealized holding gain or loss, net of the applicable income taxes, reported as a separate component of net assets. Non-marketable securities classified as other securities are carried at cost determined by the moving average method.

Securities held by the Company and its subsidiaries including investments in securities, which are not accounted for on an equity basis, are all classified as “other securities” and have been accounted for as outlined above.

ICOM INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements

2. Summary of Significant Accounting Policies (continued)

(e) Inventories

Inventories are mainly stated at the lower of cost or net selling value, cost being determined by the moving average method, except for goods held by certain overseas subsidiaries which are valued at the lower of cost or market, cost being determined by the moving average method.

(f) Property, plant and equipment (except for leased assets)

Property, plant and equipment are stated at cost. Depreciation of property, plant and equipment in the Company and its domestic subsidiaries is computed principally by the declining-balance method over the estimated useful lives of the respective assets as prescribed in the Corporation Tax Law of Japan, except that the straight-line method is applied to buildings (other than structures attached to the buildings) acquired on or after April 1, 1998 and structures attached to buildings and other structures acquired on or after April 1, 2017. The overseas consolidated subsidiaries calculate depreciation by the straight-line method.

(g) Intangible assets (except for leased assets)

Amortization of intangible assets is calculated by the straight-line method over the estimated useful lives of the respective assets as prescribed in the Corporation Tax Law of Japan. Expenditures related to the development of computer software intended for internal use are charged to income when incurred, except if it is anticipated that this software will contribute to the generation of income or to future cost savings. Such expenditures are capitalized as assets and amortized by the straight-line method over an estimated useful life of 3 or 5 years.

(h) Leased assets

Leased assets are depreciated by the straight-line method over respective lease periods with no residual value.

(i) Allowance for doubtful accounts

The allowance for doubtful accounts is computed based on the historical ratio of bad debts and an estimate of certain uncollectible amounts determined after an analysis of specific individual receivables.

(j) Accrued bonuses

Accrued bonuses are calculated based on the estimated amount to be paid to employees after the balance sheet date, which are attributable to the current fiscal year.

(k) Warranty reserves

Warranty reserves for certain overseas subsidiaries are provided for anticipated future repair costs based on the historical ratio calculated using product repair costs against net sales, which are attributable to the current fiscal year.

(l) Liability for retirement benefits

Liability for retirement benefits is provided mainly at an amount calculated based on the retirement benefit obligation less the fair value of the pension plan assets. The retirement benefit obligation is attributed to each period by the straight-line method over the estimated remaining years of service of the eligible employees.

Actuarial gain or loss is being amortized in the year following the year in which the gain or loss is recognized by the straight-line method over ten years, which is within the average remaining years of service of eligible employees.

ICOM INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements

2. Summary of Significant Accounting Policies (continued)

(m) Hedge accounting

The Company utilizes derivative transactions in order to manage the risks arising from adverse fluctuation in foreign currency exchange rates. In accordance with internal management rules, the Company enters into forward foreign exchange contracts which fall within the Company's foreign currency or foreign currency receivables holding limits. Derivative transactions are not entered into for speculative purposes.

Under the accounting standard for financial instruments, gain or loss on derivatives designated as hedging instruments is deferred until the loss or gain on the underlying hedged items is recognized. Forward foreign exchange contracts which meet certain conditions are accounted for by a method under which the foreign currency deposits and receivables are translated at their corresponding forward foreign exchange contract rates ("Allocation method.")

The evaluation of effectiveness of such forward foreign exchange contracts is omitted because significant terms of the hedging instruments and underlying hedged items are the same and the Company assumes that movements in cash flows are completely offset.

(n) Distribution of retained earnings

Under the Companies Act of Japan and the Company's Articles of Incorporation, the distribution of retained earnings with respect to a given fiscal year end is made by resolution of the shareholders at a general meeting held subsequent to the close of the financial period. The distribution of retained earnings with respect to interim financial periods is made by resolution of the Board of Directors. (Please refer to Note 18.)

3. Accounting standards issued but not yet effective

(a) Implementation Guidance on Tax Effect Accounting and Implementation Guidance on Recoverability of Deferred Tax Assets

(i) Overview

On February 16, 2018, the Accounting Standards Board of Japan (hereinafter referred to as the "ASBJ") issued "Revised Implementation Guidance on Tax Effect Accounting" (ASBJ Guidance No.28) and "Revised Implementation Guidance on Recoverability of Deferred Tax Assets" (ASBJ Guidance No.26). The ASBJ made the following necessary revisions while adhering fundamentally to the framework outlined in Practical Guidelines on Accounting Standards for Tax Effect Accounting.

The authority for providing related guidance has been transferred from the Japanese Institute of Certified Public Accountants to the ASBJ.

(Major revised accounting treatments)

- Accounting treatment of taxable temporary differences related to investments in subsidiaries, etc. when an entity prepares separate financial statements
- Accounting treatment related to the recoverability of deferred tax assets in entities that qualify as Category 1 was clarified

(ii) Scheduled date of adoption

The Company expects to adopt the revised implementation guidance from the beginning of the fiscal year ending March 31, 2019.

(iii) Impact of the adoption of implementation guidance

The Company is currently evaluating the effect of the adoption of the revised implementation guidance on its consolidated financial statements.

ICOM INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements

3. Accounting standards issued but not yet effective (continued)

(b) Accounting Standard and Implementation Guidance for Revenue Recognition

(i) Overview

On March 30, 2018, the ASBJ issued “Accounting Standard for Revenue Recognition” (ASBJ Statement No.29) and “Implementation Guidance on Accounting Standard for Revenue Recognition” (ASBJ Guidance No.30). The International Accounting Standards Board (hereinafter referred to as the “IASB”) and the Financial Accounting Standards Board (hereinafter referred to as the “FASB”) in the United States co-developed comprehensive accounting standards for revenue recognition and issued “Revenue from Contracts with Customers” (IFRS 15 by the IASB and Topic 606 by the FASB) in May 2014. The ASBJ developed comprehensive accounting standards on revenue recognition and issued them in conjunction with the implementation guidance based on fact that IFRS 15 will be applied from fiscal years starting on or after January 1, 2018 and Topic 606 will be applied from fiscal years starting after December 15, 2017.

As the basic policy in developing accounting standards for revenue recognition, the ASBJ defined the accounting standard starting with incorporating the basic principles of IFRS 15 from a standpoint of comparability between financial statements, which is one benefit of ensuring consistency with IFRS 15. Furthermore, the ASBJ added alternative accounting treatment without impairing comparability when there are matters to be considered related to accounting practices, etc. common in Japan.

(ii) Scheduled date of adoption

The Company expects to adopt the accounting standard and implementation guidance from the beginning of the fiscal year ending March 31, 2022.

(iii) Impact of the adoption of accounting standard and implementation guidance

The Company is currently evaluating the effect of the adoption of the accounting standard and the implementation guidance on its consolidated financial statements.

ICOM INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements

4. Cash and Cash Equivalents

In the preparation of the consolidated statements of cash flows, the relationship between the items included in cash and cash equivalents and the corresponding amounts reflected in the consolidated balance sheets at March 31, 2018 and 2017 is summarized as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2018	2017	2018
Cash and deposits	¥ 30,442	¥ 31,091	\$ 286,567
Marketable securities	—	300	—
Subtotal	¥ 30,442	¥ 31,391	\$ 286,567
Time deposits with original maturities in excess of three months	(2,123)	(2,080)	(19,985)
Marketable securities with original maturities in excess of three months	—	(300)	—
Cash and cash equivalents	¥ 28,319	¥ 29,011	\$ 266,582

5. Notes Receivable Maturing on March 31, 2018

March 31, 2018, the end of the period, was a bank holiday. Notes receivable maturing on the day were settled on the following business day. Therefore, notes in the amount of ¥8 million (\$75 thousand) were included in the ending balance at March 31, 2018.

6. Financial Instruments

(1) General information

i) Policy for financial instruments

In consideration of plans for capital investment, which is mainly centered on radio manufacturing and sales, the Group obtains necessary financing through its own funds. The Group manages surplus funds through financial assets that have high levels of liquidity. The Group uses derivatives for the purpose of reducing risk and does not enter into derivatives for speculative or trading purposes.

ii) Types of financial instruments and related risk

Notes and accounts receivable are exposed to credit risk in relation to customers. In addition, the Group is exposed to foreign currency exchange rate fluctuation risk arising from trade receivables denominated in foreign currencies.

Marketable securities and investments in securities are exposed to market risk. Those securities are composed of mainly corporate bonds in other securities and the shares of common stock of other companies with which it has business relationships. Fair values of those securities are periodically reviewed and reported to board of directors meetings.

Most of trade accounts payable have payment due dates within two months. The Group is exposed to foreign currency exchange rate fluctuation risk arising from those denominated in foreign currencies.

Regarding derivatives, the Group enters into forward foreign exchange contracts to reduce the foreign currency exchange rate fluctuation risk arising from cash and deposits and receivables denominated in foreign currencies, and utilizes compound financial instruments for the purpose of efficient management of surplus funds. Further information regarding the method of hedge accounting, hedging instruments and hedged items, hedging policy, and the assessment of the effectiveness of hedging activities can be found in “(m) Hedge accounting” in Note 2 “Summary of Significant Accounting Policies”.

ICOM INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements

6. Financial Instruments (continued)

(1) General information (continued)

iii) Risk management for financial instruments

(a) Monitoring of credit risk (the risk that customers or counterparties may default)

In accordance with the internal policies for managing credit risk of the Group arising from trade receivables, the credit department monitors credit worthiness of main customers periodically, in principle, and monitors due dates and outstanding balances by customer. In addition, the Group is making efforts to identify and mitigate risks of bad debt from customers who have financial difficulties.

In accordance with the internal policies for security management, the Group only acquires corporate bonds or other securities with high credit ratings. Accordingly, the Group believes that the credit risk deriving from such debt securities is insignificant.

The Group also believes that the credit risk of derivatives is insignificant as the Group enters into derivative transactions only with financial institutions with high credit ratings.

(b) Monitoring of market risks (the risks arising from fluctuations in foreign exchange rates, interest rates and others)

For cash and deposits denominated in foreign currencies, in principle, for a portion of receivables denominated in foreign currencies, the Group identifies the foreign currency exchange risk by each currency and enters into forward foreign exchange contracts to hedge such risk.

For marketable securities and investments in securities, the Group periodically reviews the fair values of such financial instruments and the financial position of the issuers. In addition, the Group continuously evaluates whether securities should be maintained taking into account their fair values and the relationships with the issuers.

For derivative transactions, the accounting department of the Company enters into and manages transactions, and a representative director, in advance, approves them within the limits reported at the Board of Directors meeting. Results of derivative transactions are reported at the monthly Board of Directors meetings. The consolidated subsidiaries do not enter into derivative transactions.

(c) Monitoring of liquidity risk (the risk that the Group may not be able to meet its obligations on the scheduled due dates)

Based on reports from each division, the accounting department of the Company prepares and updates its cash flow plans on a timely basis and maintains liquidity of assets for payment to manage liquidity risk. The consolidated subsidiaries monitor liquidity risk in the same manner.

iv) Supplementary explanation of the estimated fair value of financial instruments

The fair value of financial instruments is based on their quoted market price, if available. When there is no quoted market price available, fair value is reasonably estimated. Since various assumptions and factors are reflected in estimating the fair value, different assumptions and factors could result in different fair values. In addition, the notional amounts of derivatives in Note 12. "Derivatives and Hedging Activities" are not necessarily indicative of the actual market risk involved in derivative transactions.

ICOM INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements

6. Financial Instruments (continued)

(2) Estimated fair value of financial instruments

The carrying value, fair value and unrealized gain (loss) of the financial instruments on the consolidated balance sheets at March 31, 2018 and 2017 are shown in the following table. The following table does not include financial instruments for which it is extremely difficult to determine the fair value. (Please refer to Note ii below).

<i>Millions of yen</i>								

Thousands of U.S. dollars				
2018				
	Carrying value	Fair value	Unrealized gain (loss)	
Assets				
(1) Cash and deposits	\$ 286,567	\$ 286,567	\$	–
(2) Notes and accounts receivable	47,990	47,990		–
(3) Marketable securities and investments in securities	30,472	30,472		–
Total assets	\$ 365,029	\$ 365,029	\$	–
Liabilities				
(1) Accounts payable - trade	\$ 13,264	\$ 13,264	\$	–
Total liabilities	\$ 13,264	\$ 13,264	\$	–

ICOM INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements

6. Financial Instruments (continued)

(2) Estimated fair value of financial instruments (continued)

Notes:

i) Methods to determine the fair value of financial instruments are as follows:

Assets

(1) Cash and deposits, and (2) Notes and accounts receivable

Since these items are settled in a short period of time, their carrying value approximate the fair value.

(3) Marketable securities and investments in securities

The fair value of equity securities is based on quoted market prices. The fair value of debt securities is based on either quoted market prices or the prices provided by the financial institutions making markets for these securities. For information on securities classified by holding purpose, please refer to Note 7.

Liabilities

(1) Accounts payable - trade

Since this item is settled in a short period of time, its carrying value approximates the fair value.

ii) Financial instruments for which it is extremely difficult to determine the fair value are as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2018	2017	2018
Unlisted equity securities	¥ 136	¥ 258	\$ 1,280

Since there is no market price for unlisted equity securities and it is difficult to determine the fair value, they are not included in securities” in the preceding table estimated fair value.

ICOM INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements

6. Financial Instruments (continued)

(3) Redemption schedule

The redemption schedule for financial instruments receivable and marketable securities and investments in securities with maturity dates is summarized as follows:

<i>Millions of yen</i>									
2018					2017				
	Due within one year	Due after one year through five years	Due after five years through ten years	Due after ten years		Due within one year	Due after one year through five years	Due after five years through ten years	Due after ten years
Cash and deposits	¥ 30,442	¥ –	¥ –	¥ –		¥ 31,091	¥ –	¥ –	¥ –
Notes and accounts receivable	5,098	–	–	–		4,686	–	–	–
Marketable securities and investments in securities:									
Other securities with maturity dates									
Corporate bonds	–	400	1,300	1,000		200	400	900	1,000
Other	–	–	–	–		100	–	–	–
Total	¥ 35,540	¥ 400	¥ 1,300	¥ 1,000		¥ 36,077	¥ 400	¥ 900	¥ 1,000

<i>Thousands of U.S. dollars</i>									
2018									
	Due within one year	Due after one year through five years	Due after five years through ten years	Due after ten years					
Cash and deposits	\$ 286,567	\$ –	\$ –	\$ –					
Notes and accounts receivable	47,990	–	–	–					
Marketable securities and investments in securities:									
Other securities with maturity dates									
Corporate bonds	–	3,765	12,238	9,414					
Other	–	–	–	–					
Total	\$ 334,557	\$ 3,765	\$ 12,238	\$ 9,414					

ICOM INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements

7. Marketable Securities and Investments in Securities

Marketable securities and investments in securities classified as other securities at March 31, 2018 and 2017 are summarized as follows:

	Millions of yen					
	2018			2017		
	Carrying value	Acquisition cost	Unrealized gain (loss)	Carrying value	Acquisition cost	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition cost:						
Equity securities	¥ 221	¥ 136	¥ 85	¥ 170	¥ 136	¥ 34
Corporate bonds	1,826	1,755	71	1,892	1,851	41
Subtotal	2,047	1,891	156	2,062	1,987	75
Securities whose carrying value does not exceed their acquisition cost:						
Equity securities	180	180	—	147	182	(35)
Corporate bonds	1,010	1,013	(3)	717	721	(4)
Subtotal	1,190	1,193	(3)	864	903	(39)
Total	¥ 3,237	¥ 3,084	¥ 153	¥ 2,926	¥ 2,890	¥ 36

<i>Thousands of U.S. dollars</i>			
	2018		
	Carrying value	Acquisition cost	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition cost:			
Equity securities	\$ 2,080	\$ 1,280	\$ 800
Corporate bonds	17,189	16,521	668
Subtotal	19,269	17,801	1,468
Securities whose carrying value does not exceed their acquisition cost:			
Equity securities	1,694	1,694	—
Corporate bonds	9,509	9,537	(28)
Subtotal	11,203	11,231	(28)
Total	\$ 30,472	\$ 29,032	\$ 1,440

Since there is no market price for unlisted equity securities and it is difficult to determine the fair value, unlisted equity securities of ¥136 million (\$1,280 thousand) and ¥258 million at March 31, 2018 and 2017, respectively, are not included in the above table.

Sales of other securities for the years ended March 31, 2018 and 2017 are summarized as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2018	2017	2018
Sales	¥ 64	¥ 98	\$ 602
Aggregate gain	23	56	217

ICOM INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements

8. Inventories

Inventories at March 31, 2018 and 2017 consisted of the following:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2018	2017	2018
Merchandise and finished products	¥ 2,862	¥ 3,107	\$ 26,942
Work in process	77	67	725
Raw materials and supplies	4,026	3,248	37,898
Total	¥ 6,965	¥ 6,422	\$ 65,565

Cost of sales included loss on devaluation of inventories of ¥98 million (\$923 thousand) and ¥50 million for the years ended March 31, 2018 and 2017, respectively.

9. Retirement Benefits Plans

(1) Outline of retirement benefits for employees

The Company and its domestic subsidiaries have employees' defined benefit plans, i.e., corporate pension plans and lump-sum payment plans.

The Company and its domestic subsidiaries pay additional retirement benefits to employees under certain circumstances.

Certain consolidated subsidiaries calculate the liability for retirement benefits based on the simplified method. Under the simplified method retirement benefit obligation has been calculated based on the amount which would be payable at the year end if all eligible employees terminated their services voluntarily.

(2) Liability for retirement benefits for the years ended March 31, 2018 and 2017

- i) The changes in retirement benefit obligation are outlined as follows (except for retirement benefit obligation calculated by simplified method):

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2018	2017	2018
Retirement benefit obligation at beginning of year	¥ 5,583	¥ 5,327	\$ 52,556
Service cost	230	222	2,165
Interest cost	46	44	433
Actuarial (gain) loss	(25)	77	(236)
Retirement benefits paid	(78)	(87)	(734)
Retirement benefit obligation at end of year	¥ 5,756	¥ 5,583	\$ 54,184

- ii) The changes in plan assets at fair value are outlined as follows (except for retirement benefit obligation calculated by simplified method):

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2018	2017	2018
Plan assets at fair value at beginning of year	¥ 4,687	¥ 4,208	\$ 44,121
Expected return on plan assets	68	74	640
Actuarial gain	241	184	2,269
Contributions by the employer	311	308	2,927
Retirement benefits paid	(78)	(87)	(734)
Plan assets at fair value at end of year	¥ 5,229	¥ 4,687	\$ 49,223

ICOM INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements

9. Retirement Benefits Plans (continued)

(2) Liability for retirement benefits for the years ended March 31, 2018 and 2017 (continued)

iii) The changes in retirement benefits obligation calculated by simplified method are outlined as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2018	2017	2018
Retirement benefit obligation at beginning of year	¥ 372	¥ 332	\$ 3,502
Retirement benefits expenses	47	49	442
Retirement benefits paid	(10)	(9)	(94)
Retirement benefit obligation at end of year	¥ 409	¥ 372	\$ 3,850

iv) The balance of retirement benefit obligation and plan assets at fair value, liabilities and assets recognized in the consolidated balance sheets are outlined as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2018	2017	2018
Funded retirement benefit obligation	¥ 5,756	¥ 5,583	\$ 54,184
Plan assets at fair value	(5,229)	(4,687)	(49,223)
	527	896	4,961
Unfunded retirement benefit obligation	409	372	3,850
Net amount of liabilities and assets recognized in consolidated balance sheets	936	1,268	8,811
Liability for retirement benefits	936	1,268	8,811
Net amount of liabilities and assets recognized in consolidated balance sheets	¥ 936	¥ 1,268	\$ 8,811

v) The components of retirement benefit expenses for the years ended March 31, 2018 and 2017 are outlined as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2018	2017	2018
Service cost	¥ 277	¥ 271	\$ 2,607
Interest cost	46	44	433
Expected return on plan assets	(68)	(74)	(640)
Amortization:			
Actuarial loss	43	139	405
Retirement benefit expenses	¥ 298	¥ 380	\$ 2,805

ICOM INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements

9. Retirement Benefits Plans (continued)

(2) Liability for retirement benefits for the years ended March 31, 2018 and 2017 (continued)

- vi) The component of retirement benefit liability adjustments included in other comprehensive income before tax effects are outlined as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2018	2017	2018
Actuarial gain	¥ 309	¥ 246	\$ 2,909
	¥ 309	¥ 246	\$ 2,909

- vii) The balance of retirement benefit liability adjustments recognized in accumulated other comprehensive income before tax effects is outlined as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2018	2017	2018
Unrecognized actuarial loss	¥ (54)	¥ (363)	\$ (508)
Total	¥ (54)	¥ (363)	\$ (508)

- viii) The plan assets by major category consist of the following:

	2018	2017
Bonds	67.0%	52.0%
Equities	22.0%	47.0%
Cash and deposits	2.0%	1.0%
Other	9.0%	—
Total	100.0%	100.0%

The expected long-term rate of return on plan assets is determined as a result of consideration of both the portfolio allocation to each class at present and in the future, and long-term expected rate of return from multiple plan assets at present and in the future.

- ix) The assumptions used in accounting for the defined benefit plans for the years ended March 31, 2018 and 2017 are as follows:

	2018	2017
Discount rates	0.8%	0.8%
Expected long-term rates of return on plan assets	1.5%	1.8%
Expected rate of compensation increases	1.5%	1.6%

ICOM INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements

10. Income Taxes

Income taxes applicable to the Company and its domestic subsidiaries comprise corporation, enterprise and inhabitants' taxes which, in the aggregate, resulted in a statutory tax rate of approximately 30.8% for the years ended March 31, 2018 and 2017, respectively. The overseas subsidiaries are subject to income taxes of the respective countries in which they operate.

Reconciliations of the statutory tax rate and effective tax rates for the years ended March 31, 2018 and 2017 as a percentage of profit before income taxes are as follows:

	2018	2017
Statutory tax rates	30.8%	30.8%
Non-deductible entertainment expenses and other for income tax purposes	2.8	2.0
Per capita portion of inhabitants' taxes	2.4	2.9
Tax credit for research and development costs	(9.8)	(4.4)
Differences in tax rates applicable to overseas subsidiaries	(0.2)	(1.4)
Income taxes for prior period	0.0	(2.6)
Unrealized gain on inventories	(7.0)	8.8
Equity in earnings of affiliates	0.8	(0.5)
Effect of changes in corporate tax rates	0.2	—
Valuation allowance	0.7	—
Effect of Tax Cuts and Jobs Act of 2017 in U.S.	8.5	—
Other	(0.6)	(1.0)
Effective tax rates	28.6%	34.6%

The significant components of deferred tax assets and liabilities at March 31, 2018 and 2017 are summarized as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2018	2017	2018
Deferred tax assets:			
Unrealized gain on inventories	¥ 258	¥ 128	\$ 2,429
Long-term accounts payable - other	154	154	1,449
Accrued bonuses	134	121	1,262
Accrued enterprise tax	41	17	386
Deferred revenue	11	27	104
Liability for retirement benefits	284	386	2,673
Allowance for doubtful accounts	20	21	188
Write down of investments in securities	26	23	245
Accrued legal welfare expense on bonuses	20	18	188
Net operating loss carryforward	116	194	1,092
Other	95	96	894
Gross deferred tax assets	1,159	1,185	10,910
Valuation allowance	(44)	(41)	(414)
Total deferred tax assets	1,115	1,144	10,496
Deferred tax liabilities:			
Gain on sales of property, plant and equipment	(146)	(234)	(1,374)
Depreciation	—	(10)	—
Accrued interest	(1)	(1)	(9)
Other	(46)	(11)	(433)
Total deferred tax liabilities	(193)	(256)	(1,816)
Net deferred tax assets	¥ 922	¥ 888	\$ 8,680

ICOM INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements

10. Income Taxes (continued)

Change in deferred tax assets and deferred tax liabilities due to reduction in U.S. corporate income tax rate

On December 22, 2017, the Tax Cuts and Jobs Act was enacted in the United States, effectively lowering the federal corporate income tax rate effective fiscal years beginning on or after January 1, 2018. Consequently, the federal corporate income tax rate applicable to the Company's consolidated subsidiaries in the U.S. was reduced from 35% to 21%. In addition, a tax burden pertaining to certain non-U.S. based retained earnings of subsidiaries in the United States was incurred.

As a result, as of and for the year ended March 31, 2018, deferred tax assets have decreased by ¥69 million (\$650 thousand) and income taxes-deferred have increased by ¥69 million (\$650 thousand).

11. Shareholders' Equity

The Companies Act (the "Act") provides that an amount equal to 10% of the amount to be disbursed as distributions of capital surplus (other than the capital reserve) and retained earnings (other than the legal reserve) be transferred to the capital reserve and the legal reserve, respectively, until the sum of the capital reserve and the legal reserve equals 25% of the capital stock account. Such distributions can be made at any time by resolution of the shareholders, or by the Board of Directors if certain conditions are met.

The Company's legal reserve included in retained earnings at March 31, 2018 and 2017 amounted to ¥293 million (\$2,758 thousand).

In addition, upon the issuance and sale of new shares of capital stock, the entire amount of the proceeds is required to be accounted for as capital stock, although a company may, by resolution of the Board of Directors, account for an amount not exceeding one-half of the proceeds of the sale of new shares as additional paid-in capital included in capital surplus.

Movements in treasury stock for the years ended March 31, 2018 and 2017 are summarized as follows:

Number of shares				
2018				
	April 1, 2017	Increase	Decrease	March 31, 2018
Shares issued:				
Common stock	14,850,000	—	—	14,850,000
Treasury stock:				
Common stock	32,190	353	—	32,543
Number of shares				
2017				
	April 1, 2016	Increase	Decrease	March 31, 2017
Shares issued:				
Common stock	14,850,000	—	—	14,850,000
Treasury stock:				
Common stock	32,083	107	—	32,190

The increases in treasury stock were due to purchases of shares of less than one voting unit.

ICOM INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements

12. Derivatives and Hedging Activities

There were no derivatives positions outstanding which qualify for hedge accounting at March 31, 2018.

The estimated fair value of the derivatives positions outstanding which qualify for hedge accounting at March 31, 2017 is summarized as follows:

Currency-related transactions

Method of hedge accounting	Transaction	Major hedged item	<i>Millions of yen</i>		
			2017		
			Notional amount	More than one year	Fair value
Allocation method for forward foreign exchange contracts	Forward foreign exchange contracts				
	Sell: EUR	Foreign currency deposits	¥ 993	¥—	¥—
	Total		¥ 993	¥—	¥—

The forward foreign exchange contracts that qualify for the allocation method and the underlying foreign currency deposits are accounted for as a unit. Therefore, the fair value of the forward foreign exchange contracts is included in cash and deposits.

13. Research and Development Costs

Research and development costs included in selling, general and administrative expenses for the years ended March 31, 2018 and 2017 are as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2018	2017	2018
Research and development costs	¥ 3,412	¥ 3,277	\$ 32,119

ICOM INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements

14. Other Comprehensive Income

Reclassification adjustments and tax effects of other comprehensive income for the years ended March 31, 2018 and 2017 are as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	<u>2018</u>	<u>2017</u>	<u>2018</u>
Net unrealized holding gain on securities:			
Amount arising during the year	¥ 120	¥ 53	\$ 1,130
Reclassification adjustments	(2)	(50)	(19)
Before tax effects	118	3	1,111
Tax effects	(36)	(1)	(339)
Net unrealized holding gain on securities	82	2	772
Translation adjustments:			
Amount arising during the year	(193)	(58)	(1,817)
Retirement benefit liability adjustments:			
Amount arising during the year	266	107	2,504
Reclassification adjustments	43	139	405
Before tax effects	309	246	2,909
Tax effects	(95)	(75)	(895)
Retirement benefit liability adjustments	214	171	2,014
Total other comprehensive income	¥ 103	¥ 115	\$ 969

15. Amounts Per Share

Amounts per share at March 31, 2018 and 2017 and for the years then ended are as follows:

	<i>Yen</i>		<i>U.S. dollars</i>
	<u>2018</u>	<u>2017</u>	<u>2018</u>
Net assets	¥ 3,654.65	¥ 3,625.42	\$ 34.40
Profit attributable to owners of parent:			
Basic	42.26	31.98	0.40
Cash dividends	30.00	20.00	0.28

Net assets per share is computed based on net assets and the number of shares of common stock outstanding at respective years end.

Basic profit attributable to owners of parent per share is computed based on the profit attributable to owners of parent available for distribution to shareholders of common stock and the weighted-average number of shares of common stock outstanding during each year. Cash dividends per share represent the cash dividends declared as applicable to the respective fiscal years.

ICOM INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements

16. Segment Information

i) Outline of segment information

The Company's reporting segments are divisions of the Company for which separate financial information is available, and whose operating results are reviewed regularly by the board of directors meeting of the Company (the highest management decision making body) in order to allocate management resources and assess performance of operations.

The Company and its subsidiaries are primarily engaged in the manufacture and sale of telecommunications equipment. The subsidiaries are independent business units and formulate comprehensive strategies for products and operate business geographically.

Therefore, the group consists of four segments based on sales by region. The four segments are "Japan," "North America," which primarily includes the United States and Canada; "Europe," which primarily includes Germany and Spain; and "Asia & Oceania," which primarily includes Australia, Taiwan and China.

ii) Calculation methods used for sales, income or loss, assets and other items on each reporting segment

The accounting policies of the segments are substantially the same as those described in the significant accounting policies in Note 2. Segment performance is evaluated based on operating income or loss. Intersegment sales are recorded at the same prices applied in transactions with third parties.

iii) Information as to sales, income or loss, assets and other items on each reporting segment

Information by reporting segment for the years ended March 31, 2018 and 2017 are as follows:

<i>Millions of yen</i>							
2018							
	Japan	North America	Europe	Asia & Oceania	Subtotal	Eliminations	Consolidated
I. Net sales and operating income (loss)							
Sales to third parties	¥ 14,746	¥ 7,867	¥ 1,235	¥ 1,033	¥ 24,881	¥ –	¥ 24,881
Intersegment sales	7,012	5	0	412	7,429	(7,429)	–
Net sales	21,758	7,872	1,235	1,445	32,310	(7,429)	24,881
Operating expenses	20,863	7,899	1,164	1,384	31,310	(7,220)	24,090
Operating income (loss)	¥ 895	¥ (27)	¥ 71	¥ 61	¥ 1,000	¥ (209)	¥ 791
II. Total assets	¥ 53,128	¥ 5,693	¥ 924	¥ 1,866	¥ 61,611	¥ (2,389)	¥ 59,222
III. Other items							
Depreciation and amortization	¥ 821	¥ 100	¥ 4	¥ 10	¥ 935	¥ –	¥ 935
Investments in affiliates	74	–	–	–	74	–	74
Increase in property, plant and equipment / intangible assets	651	27	2	6	686	–	686

ICOM INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements

16. Segment Information (continued)

iii) Information as to sales, profit or loss, assets and other items on each reporting segment (continued)

<i>Millions of yen</i>								
2017								
	Japan	North America	Europe	Asia & Oceania	Subtotal	Eliminations	Consolidated	
I. Net sales and operating income (loss)								
Sales to third parties	¥ 14,780	¥ 7,319	¥ 1,070	¥ 923	¥ 24,092	¥ –	¥ 24,092	
Intersegment sales	5,996	6	–	349	6,351	(6,351)	–	
Net sales	20,776	7,325	1,070	1,272	30,443	(6,351)	24,092	
Operating expenses	20,276	7,362	1,034	1,241	29,913	(6,553)	23,360	
Operating income (loss)	¥ 500	¥ (37)	¥ 36	¥ 31	¥ 530	¥ 202	¥ 732	
II. Total assets	¥ 51,869	¥ 5,737	¥ 756	¥ 1,915	¥ 60,277	¥ (1,953)	¥ 58,324	
III. Other Items								
Depreciation and amortization	¥ 880	¥ 95	¥ 4	¥ 8	¥ 987	¥ –	¥ 987	
Investments in affiliates	96	–	–	–	96	–	96	
Increase in property, plant and equipment / intangible assets	589	93	1	11	694	–	694	

<i>Thousands of U.S. dollars</i>								
2018								
	Japan	North America	Europe	Asia & Oceania	Subtotal	Eliminations	Consolidated	
I. Net sales and operating income (loss)								
Sales to third parties	\$ 138,812	\$ 74,056	\$ 11,626	\$ 9,724	\$ 234,218	\$ –	\$ 234,218	
Intersegment sales	66,008	47	0	3,878	69,933	(69,933)	–	
Net sales	204,820	74,103	11,626	13,602	304,151	(69,933)	234,218	
Operating expenses	196,395	74,358	10,957	13,028	294,738	(67,966)	226,772	
Operating income (loss)	\$ 8,425	\$ (255)	\$ 669	\$ 574	\$ 9,413	\$ (1,967)	\$ 7,446	
II. Total assets	\$ 500,122	\$ 53,591	\$ 8,698	\$ 17,566	\$ 579,977	\$ (22,489)	\$ 557,488	
III. Other items								
Depreciation and amortization	\$ 7,729	\$ 941	\$ 38	\$ 94	\$ 8,802	\$ –	\$ 8,802	
Investments in affiliates	697	–	–	–	697	–	697	
Increase in property, plant and equipment / intangible assets	6,128	254	19	56	6,457	–	6,457	

ICOM INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements

16. Segment Information (continued)

iv) Geographical information

(a) Sales

Sales categorized by country and region based on locations of customers by the Group for the years ended March 31, 2018 and 2017 were summarized as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2018	2017	2018
Japan	¥ 8,059	¥ 7,971	\$ 75,864
USA	5,816	5,391	54,749
North America (except for the USA)	1,338	1,113	12,595
Europe	3,969	3,592	37,362
Asia & Oceania	4,904	5,345	46,164
Other	795	680	7,484
Total	¥ 24,881	¥ 24,092	\$ 234,218

(b) Property, plant and equipment

Property, plant and equipment categorized by country and region at March 31, 2018 and 2017 were summarized as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2018	2017	2018
Japan	¥ 5,887	¥ 6,068	\$ 55,417
USA	1,097	1,218	10,327
North America (except for the USA)	10	13	94
Europe	7	9	66
Asia & Oceania	160	171	1,506
Total	¥ 7,161	¥ 7,479	\$ 67,410

Disclosure of the information by product and service for the years ended March 31, 2018 and 2017 has been omitted as sales of products and services to external customers in a single segment account for more than 90% of net sales in the consolidated statement of income.

Disclosure of the information by major customers for years ended March 31, 2018 and 2017 has been omitted as sales to each customer were less than 10% of consolidated net sales.

ICOM INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements

17. Significant Subsidiaries and Affiliates

The Company's subsidiaries and significant affiliates at March 31, 2018 are presented as follows:

Name	Ownership Interest	Country of Incorporation	Subsidiaries/Affiliate
Icom America, Inc.	100.0%	United States of America	Consolidated subsidiary
Icom (Europe) GmbH	100.0%	Germany	Consolidated subsidiary
Icom (Australia) Pty., Ltd.	100.0%	Australia	Consolidated subsidiary
Icom Spain, S.L.	100.0%	Spain	Consolidated subsidiary
Asia Icom Inc.	100.0%	Taiwan	Consolidated subsidiary
PURECOM CO., LTD.	100.0%	China	Consolidated subsidiary
Wakayama Icom Inc.	100.0%	Japan	Consolidated subsidiary
Icom Information Products Inc.	100.0%	Japan	Consolidated subsidiary
Icom America License Holding LLC	100.0%	United States of America	Consolidated sub-subsidiary
ICOM CANADA HOLDINGS INC.	100.0%	Canada	Consolidated sub-subsidiary
ICOM DO BRASIL RADIOCOMUNICACAO LTDA.	100.0%	Brazil	Consolidated sub-subsidiary
Comforce Inc.	49.0%	Japan	Affiliate accounted for by the equity method
Position Co., Ltd.	33.3%	Japan	Affiliate accounted for by the equity method

18. Subsequent Event

The following distribution of retained earnings of the Company, which has not been reflected in the accompanying consolidated financial statements for the year ended March 31, 2018, was approved at the Company's general shareholders' meeting held on June 26, 2018:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2018	2017	2018
Cash dividends (¥20 = U.S.\$0.19 per share)	¥ 296	¥ 148	\$ 2,786

Independent Auditor's Report

The Board of Directors
ICOM INCORPORATED

We have audited the accompanying consolidated financial statements of ICOM INCORPORATED and its consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2018, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. The purpose of an audit of the consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control, but in making these risk assessments the auditor considers internal controls relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of ICOM INCORPORATED and its consolidated subsidiaries as at March 31, 2018, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Convenience Translation

We have reviewed the translation of these consolidated financial statements into U.S. dollars, presented for the convenience of readers, and, in our opinion, the accompanying consolidated financial statements have been properly translated on the basis described in Note 1.

June 26, 2018
Osaka, Japan

Ernst & Young Shin Nihon LLC

BOARD OF DIRECTORS AND AUDITORS

Tokuzo Inoue

Chairman and Representative Director

Masataka Harima

President and Representative Director

Nobuo Ogawa

Executive Managing Director

Hiroshi Shimizu

Director

Kenichi Kojiyama

Director

Haruyuki Yoshizawa

Outside Director

Akifumi Honda

Outside Director

Toshihiko Sano

Auditor

Hiroshi Umemoto

Outside Auditor

Katsunori Sugimoto

Outside Auditor

EXECUTIVE OFFICERS

Hiroshi Nakaoka

Takashi Tsujiuchi

Shinichi Matsuo

Shigeyoshi Tanabe

Yoshiteru Yano

Yoshiki Enomoto

Shu Kitaguchi

Kenichi Noda

SUBSIDIARIES

Icom America, Inc.

Icom (Europe) GmbH

Icom (Australia) Pty., Ltd.

Icom Spain, S.L.

Asia Icom Inc.

PURECOM CO., LTD

Wakayama Icom Inc.

Icom Information Products Inc.

Icom America License Holding LLC

ICOM CANADA HOLDINGS INC.

ICOM DO BRASIL

RADIOCOMUNICACAO LTDA.

AFFILIATES

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Position Co., Ltd.

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Osaka, 547-0003, Japan

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INVESTOR RELATIONS

Keiichi Uehata

General Manager of Business
Management Department

1-1-32, Kamiminami, Hirano-ku,
Osaka, 547-0003, Japan

Phone: 81-6-6793-5301

Fax: 81-6-6793-5305

CORPORATE FACTS

(As of March 31, 2018)

Established: July 1964

Employees: 625

Paid-in capital: ¥7,081 million

Authorized shares: 34,000,000

Issued and outstanding shares:
14,850,000

Shareholders: 8,522

Stock listing: Tokyo Stock Exchange

(As of March 31, 2018)

Major shareholders	Thousands of shares
Tokuzo Inoue	1,868
State Street Bank and Trust Company	1,621
Gigapalace Inc.	1,472
The Icom Foundation	1,000
JVC KENWOOD Corporation	445
The Master Trust Bank of Japan, Ltd.	436
Meiji Yasuda Life Insurance Company	326
GOLDMAN, SACHS & CO. REG,	258
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	243
The Hiroshima Bank, Ltd.	240